

House Engrossed

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
Second Regular Session  
2004

CHAPTER 141

# HOUSE BILL 2433

AN ACT

AMENDING SECTION 11-981, ARIZONA REVISED STATUTES; RELATING TO POLITICAL  
SUBDIVISIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 11-981, Arizona Revised Statutes, is amended to  
3 read:

4 11-981. Payment of benefits, losses and claims; establishment  
5 of trust funds

6 A. In addition to authority granted pursuant to other provisions of  
7 law or city charter, any city, town, or county, ANY SPECIAL HEALTH CARE  
8 DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER POLITICAL  
9 SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN ONE  
10 MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF A COUNTY  
11 BOARD OF SUPERVISORS may procure insurance from any insurer authorized by the  
12 director of the department of insurance or may establish a self-insurance  
13 program for the management and administration of a system for direct payment  
14 of benefits, losses or claims or any combination of insurance and direct  
15 payments, and including risk management consultation, to provide:

16 1. Health, accident, life or disability benefits for employees and  
17 officers of the city, town, or county, ANY SPECIAL HEALTH CARE DISTRICT  
18 ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER POLITICAL SUBDIVISION  
19 THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN ONE MILLION  
20 PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF A COUNTY BOARD OF  
21 SUPERVISORS and their dependents.

22 2. Payment of any property loss sustained or lawful claim of liability  
23 or fortuitous loss made against the city, town, or county, ANY SPECIAL HEALTH  
24 CARE DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER POLITICAL  
25 SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN ONE  
26 MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF A COUNTY  
27 BOARD OF SUPERVISORS or its elected or appointed officials, employees or  
28 officers if such elected or appointed officials, employees or officers are  
29 acting within the scope of employment or authority.

30 B. If any city, town, or county, ANY SPECIAL HEALTH CARE DISTRICT  
31 ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER POLITICAL SUBDIVISION  
32 THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN ONE MILLION  
33 PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF A COUNTY BOARD OF  
34 SUPERVISORS establishes a self-insurance program for the management and  
35 administration of a system for direct payment of benefits, losses or claims  
36 pursuant to subsection A, the governing body of such city, town, or county,  
37 ANY SPECIAL HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31  
38 OR OTHER POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION  
39 OF MORE THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF  
40 MEMBERS OF A COUNTY BOARD OF SUPERVISORS shall place all funds into a trust  
41 fund for the purposes of this section in amounts as determined appropriate  
42 by the governing body of the city, town, or county, ANY SPECIAL HEALTH CARE  
43 DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER POLITICAL  
44 SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN ONE  
45 MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF A COUNTY

1 BOARD OF SUPERVISORS, except that any city, town, or county, ANY SPECIAL  
2 HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER  
3 POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE  
4 THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF  
5 A COUNTY BOARD OF SUPERVISORS establishing such a trust fund shall:

6 1. Designate a risk management consultant or insurance administrator  
7 licensed pursuant to title 20, chapter 2, article 3 or 9, and such license  
8 shall be verified by the governing body of the city, town, or county, ANY  
9 SPECIAL HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR  
10 OTHER POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF  
11 MORE THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS  
12 OF A COUNTY BOARD OF SUPERVISORS.

13 2. The trust shall be administered by at least five joint trustees,  
14 of whom no more than one may be a member of the governing body of the city,  
15 town, or county, ANY SPECIAL HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE  
16 48, CHAPTER 31 OR OTHER POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY  
17 WITH A POPULATION OF MORE THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY  
18 IS COMPOSED OF MEMBERS OF A COUNTY BOARD OF SUPERVISORS and no more than one  
19 may be an employee of the city, town, or county, ANY SPECIAL HEALTH CARE  
20 DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER POLITICAL  
21 SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN ONE  
22 MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF A COUNTY  
23 BOARD OF SUPERVISORS.

24 3. The trustees of the trust must be bonded, a stop-loss provision  
25 must be incorporated in the trust agreement and an annual audit must be  
26 performed by an external auditor and a copy of the report kept on file in the  
27 offices of the governing body of the city, town, or county, ANY SPECIAL  
28 HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER  
29 POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE  
30 THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF  
31 A COUNTY BOARD OF SUPERVISORS for a period of not less than five years.

32 4. Not make any expenditure from the trust fund for any purpose not  
33 specified in this article.

34 C. Expenditures during the fiscal year from the trust fund and monies  
35 in the trust fund at the close of the fiscal year shall not be subject to the  
36 provisions of title 42, chapter 17, article 3.

37 D. In the event that such a trust fund is no longer used by the city,  
38 town, or county, ANY SPECIAL HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE  
39 48, CHAPTER 31 OR OTHER POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY  
40 WITH A POPULATION OF MORE THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY  
41 IS COMPOSED OF MEMBERS OF A COUNTY BOARD OF SUPERVISORS for the purposes  
42 herein set forth, it shall revert during that fiscal year to the general fund  
43 of such city, town, or county, ANY SPECIAL HEALTH CARE DISTRICT ORGANIZED  
44 PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER POLITICAL SUBDIVISION THAT IS

1 LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN ONE MILLION PERSONS AND  
2 WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF A COUNTY BOARD OF SUPERVISORS.

3 E. The authority granted to a city, town, or county, ANY SPECIAL  
4 HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE 48, CHAPTER 31 OR OTHER  
5 POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY WITH A POPULATION OF MORE  
6 THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY IS COMPOSED OF MEMBERS OF  
7 A COUNTY BOARD OF SUPERVISORS by this section is not subject to the  
8 provisions of title 20, except that any health, life, accident or disability  
9 benefit plan shall conform to the benefits required by the provisions of  
10 title 20.

11 F. This section shall not be construed to authorize any city, town,  
12 or county, ANY SPECIAL HEALTH CARE DISTRICT ORGANIZED PURSUANT TO TITLE 48,  
13 CHAPTER 31 OR OTHER POLITICAL SUBDIVISION THAT IS LOCATED IN A COUNTY WITH  
14 A POPULATION OF MORE THAN ONE MILLION PERSONS AND WHOSE GOVERNING BODY IS  
15 COMPOSED OF MEMBERS OF A COUNTY BOARD OF SUPERVISORS to procure insurance  
16 from any insurer not authorized by the director of the department of  
17 insurance.

APPROVED BY THE GOVERNOR APRIL 23, 2004.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 23, 2004.

Passed the House March 11, 2004

Passed the Senate April 15, 2004

by the following vote: 40 Ayes,

by the following vote: 26 Ayes,

18 Nays, 2 Not Voting

3 Nays, 1 Not Voting

Jake Flake  
Speaker of the House

Ken Blumenthal  
President of the Senate

Freeman L. Moore  
Chief Clerk of the House

Channing B. Bunting  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

19<sup>th</sup> day of April, 2004,

at 2:30 o'clock P. M.

Jennifer Ybarra  
Secretary to the Governor

Approved this 23 day of

April, 2004,

at 2<sup>00</sup> o'clock P. M.

J. T. Nugent  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 23 day of April, 2004,

at 3:05 o'clock P. M.

Janice K. Brewer  
Secretary of State

H.B. 2433